

the

light report

June 2003

Volume 7; Number 6

Superintendent's Summary

This month has been a busy one. Thanks to great cooperation from our various divisions we're back on the path to achieving our financial goals. That means we stay on track to pay off the short-term debt and build some positive cash reserves by the middle of next year. I know this was a difficult task, but the results reflect the "can do" spirit we at City Light have demonstrated consistently over the past 100 years.



Diablo Dam, the second of three major dams that comprise SCL's Skagit Hydroelectric Project. This month the Skagit Project was officially recognized as the nation's first large, low-

The spring runoff has begun, inflows to our reservoirs are increasing, and our power marketers are working hard to maximize the benefits of our generating capacity. Even though this remains a sub-par water year, strong prices translate into a significant increase in revenue compared to last year. Work in South Lake Union has stepped up, and we're looking forward to working closely with the Mayor and other City departments to ensure ample electricity supplies to the biotech and other businesses which will be at the core of this area's economic renaissance.

We've also achieved a new level of national recognition of our Skagit Project. We've been producing clean, low-impact power at the Skagit for more than 75 years. This month the Low Impact Hydropower Institute (LIHI) officially certified the Skagit as the nation's first large, low-impact hydro project. This puts the official stamp of approval on the Skagit as well-sited and operated, and for meeting rigorous criteria for river flows, water quality, fish protection, cultural resource protection and recreation. The certification process included extensive public comment, independent review, and consultation with state and federal resource agencies. The final vote of the LIHI board, which includes recognized leaders in the national river conservation and renewable energy fields, was unanimous.

In addition to the honor of being first in the nation, certification means that power from the Skagit qualifies for participation in many Green Power programs, which in turn can market the Skagit power as "green." It's great to finally have the recognition for something we have known for years.

One last thing. Our Green Power program dedicated its first solar project at a Seattle Park last Saturday. The project was the Carkeek Park Environmental Learning Center. The installation, our largest to date, follows several school projects.

Jim Ritch, Acting Superintendent

Skagit Tours Resume: City Light Celebrates 75 years of Tours, 1928-2003

City Light's tours of its Skagit Project are resuming this year. The tours were cancelled last year for security reasons following the September 11, 2001, terrorist attacks.

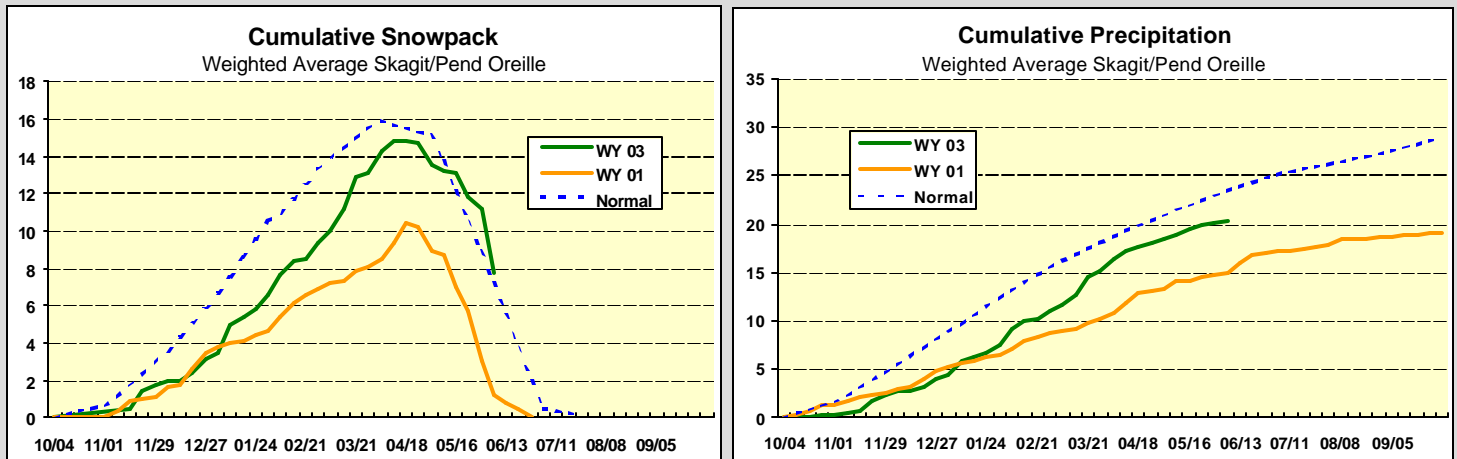
During the hiatus, we took the opportunity to redesign the tours to address security issues while still providing access to remote Diablo Lake. The resumption coincides with the 75th anniversary of the tours. City Light is hosting a major event,

scheduled for June 16-17, to promote the tours and celebrate their 75th anniversary.

City Light began hosting Skagit Tours for Seattle citizens in 1928, when the Skagit Project was the most modern hydroelectric facility of its time. J.D. Ross, City Light superintendent from 1911 to 1939, began the tours to generate continued voter approval and funding for Skagit Project construction, as well as showcase the many recreational opportunities in the remote North Cascades.

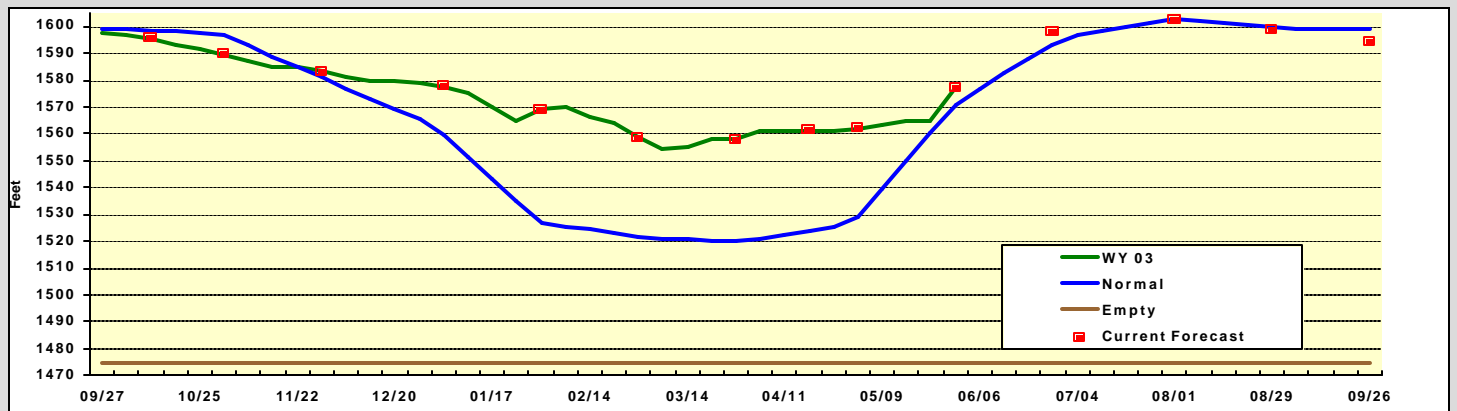
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- Water Resources as of May 30, 2003 - Snowpack and Precipitation



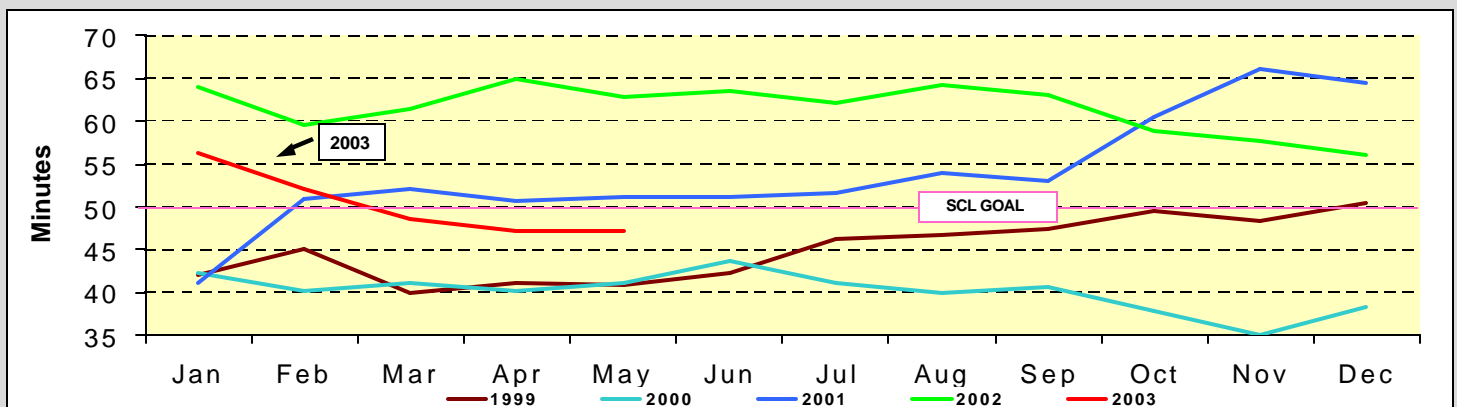
The runoff has begun. While the charts above show snowpack trending at slightly more than normal, the warmer weather of the past week has brought increased inflows to our reservoirs. Although the water year started off poorly, it has improved markedly in 2003. The 2001 record drought is shown by the tan line.

Ross Reservoir Levels



We are closely watching the power market as we make decisions about managing Ross levels. Increased inflows from snowmelt are allowing increased flexibility to take advantage of market opportunities (such as the recent heat spell and resultant price spike in California to \$70/MWH) while still assuring that we will meet our license targets this summer.

- System Reliability - Average Customer Outage Minutes, January 1999 – May 2003



The System Average Interruption Duration Index (SAIDI) was unchanged in May. Underground cable outages made up over 60% of the month's outage impact, and all underground outages combined made up almost 80%. An early Monday morning underground cable outage on May 9th in White Center contributed over half of the month's outage impact.

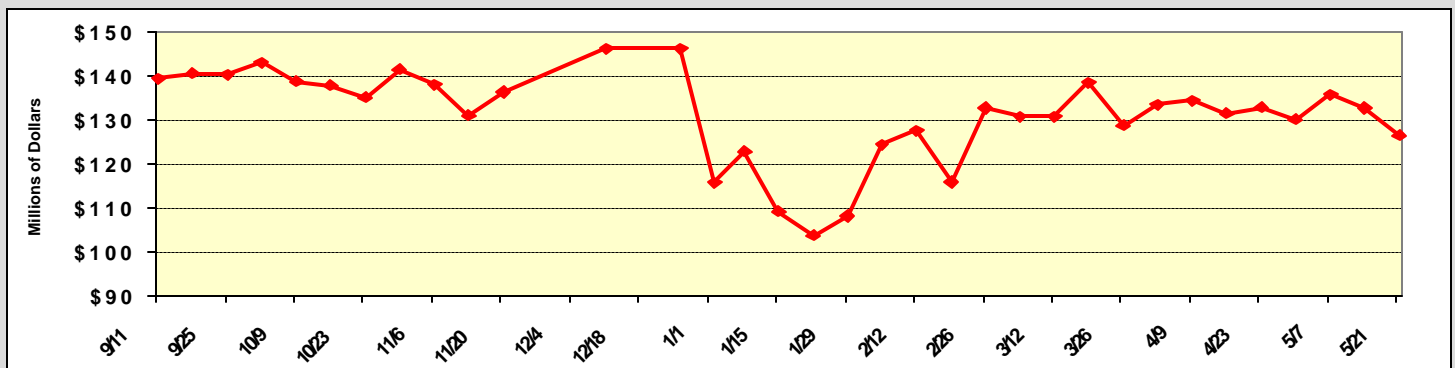
- Markets and Power Management -

Forward Power Prices, Current vs. Operating Plan

	High Load Hours			Low Load Hours		
	Operating Plan	Current	Change	Operating Plan	Current	Change
Jan 03	\$40	\$40	\$0	\$32	\$32	\$0
Feb 03	\$35	\$74	+\$39	\$30	\$70	+\$40
Mar 03	\$34	\$24	-\$10	\$28	\$21	-\$7
Apr 03	\$34	\$32	-\$2	\$24	\$30	+\$6
May 03	\$26	\$32	+\$6	\$16	\$22	+\$6
Jun 03	\$24	\$29	+\$5	\$16	\$20	+\$4
Jul 03	\$37	\$43	+\$6	\$25	\$34	+\$9
Aug 03	\$46	\$54	+\$8	\$31	\$38	+\$7
Sep 03	\$39	\$54	+\$15	\$27	\$39	+\$12
Oct 03	\$42	\$52	+\$10	\$31	\$44	+\$13
Nov 03	\$40	\$53	+\$13	\$30	\$45	+\$15
Dec 03	\$44	\$60	+\$16	\$35	\$54	+\$19

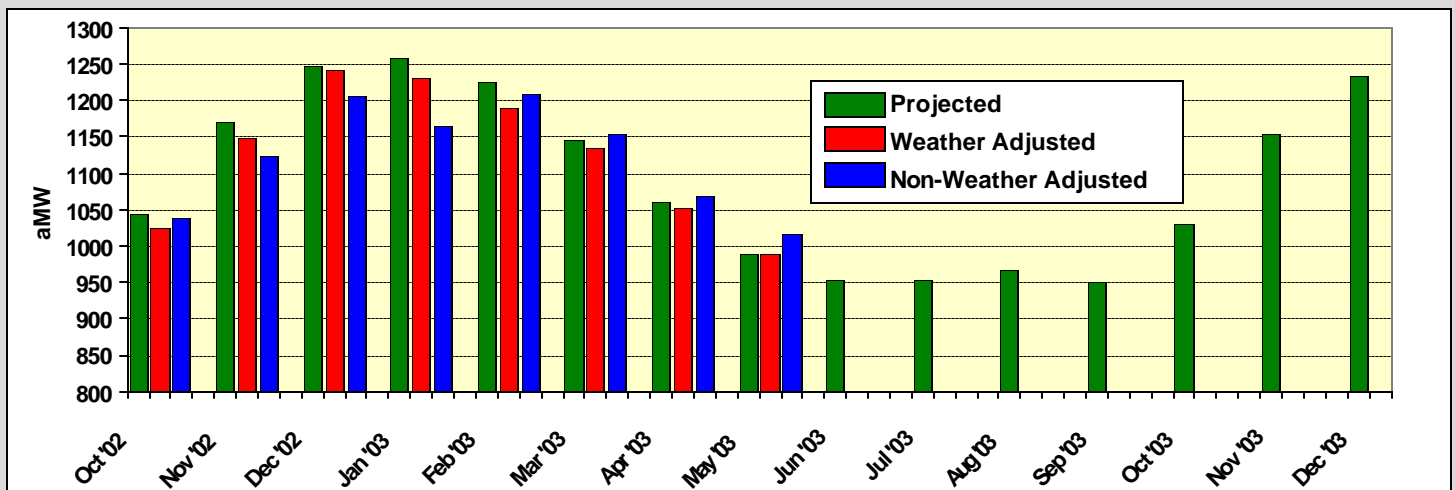
This table compares the forward prices for energy as of May 19, 2003 with the forward prices assumed in the October 2002 operating plan. Storage reserves of natural gas, a major fuel in electricity generation nationwide, are at an all-time low, leading to higher natural gas prices and higher electricity prices.

Market Value of 2003 Position



Flow projections stabilize as we advance through the water year, and we do not expect significant changes through year-end (Sept.). Changes in the value of the position from now on will largely be price driven.

Load History and Projections



In the early part of this year, we revised our load forecast to reflect poorer-than-anticipated economic conditions. The forecast has since tracked the weather adjusted load better; however, cooler-than-normal weather has kept demand a little higher than expected.

Seventy-five years ago, tourists could reach remote Newhalem only by train. Today they come by car and tour bus for an adventure that's relatively close to home, yet deep in the rugged beauty of the North Cascades.

The tour provides a two-and-a-half-hour escorted boat ride up the narrow Diablo Lake canyon, featuring the unique turquoise waters of the lake and surrounding snow-capped mountains. Visitors can also explore Newhalem and Ladder Creek Falls and Gardens, both on the National Register of Historic Places.

Details for the 2003 tour season:

- All tours begin at the Skagit Information Center in Newhalem. Visitors may purchase deli lunches here and picnic on the grounds.
- Reservations are recommended.
- Tours last 2.5 hours.
- Tours are offered twice daily at 9:45 a.m. and 12:45 p.m. Check-in time is 30 minutes before departure.
- Tour days:
June and September – Saturday and Sunday only
July and August – Thursday through Monday
- Admission: Adults \$17, Seniors (over 62) \$15, Youth (6-12) \$12, children (5 and younger) free.

Janice Boman is handling the tours for City Light and can be reached at (206) 684-3026. More information about the tours is available at www.SkagitTours.com.

Bits and Pieces: News and Notes from City Light and the Utility Industry

- The former Seattle City Light Power Control Center at 157 Roy Street was dedicated by the Mayor as the Uptown Neighborhood Center. Steve Hagen, Real Estate Services manager, received a certificate of appreciation from the Mayor for his work on this project.
- Lake Youngs Substation: Puget Sound Energy Inc. (PSE) and City representatives concluded negotiations to provide for long-term transmission service to a new substa-

tion PSE is building to serve a Seattle Public Utilities water treatment facility within the Lake Youngs Watershed Reservation. This new substation is expected to be energized this fall.

- **The Seattle City Light Skagit Project:** This project, comprising three dams and powerhouses on the Upper Skagit River, was certified as a Low Impact Hydropower by the Low Impact Hydropower Institute. The project is the first large hydro project in the nation to receive this certification.
- **Contracting and Procurement Training:** All City Light employees with procurement responsibility and authority will attend a training session that covers new procurement processes and good consultant contracting practices.
- Efforts are under way to create a panel of Northwest leaders to oversee the financially strapped Bonneville Power Administration's budget and operations. The effort seeks to forestall or lower another Bonneville electricity rate increase this fall.
- A dispute over regulating water temperatures on the Columbia and Snake rivers has reached into the White House and top levels at the Interior Department. The discussion comes amid state and tribal concerns that the effort to help endangered salmon could be undercut in order to protect federal dams. Critics say the White House has slowed the effort to come up with a plan. At the same time, the White House Office of Management and Budget is taking a broader look at federal regulations involving water temperatures and other requirements of the Clean Water Act.
- Though California's energy crisis has passed, a Bay Area business group released a study Thursday saying that electricity shortages could return in a few years if the state does not invest in its power infrastructure and develop a cohesive energy policy.

"There is still a meaningful risk that future power supplies will come up short," said the report by the Bay Area Economic Forum.

UPCOMING COUNCIL AGENDA ITEMS

June 5: Energy and Environmental Policy Committee:

- Seattle City Light Performance Measurements Report

June 5, noon, Council Chambers:

- **Public Forum:** A Vision of South Lake Union as a Model for Sustainable Development.

June 19: Energy and Environmental Policy Committee:

- Agenda TBA